



Senate

General Assembly

File No. 279

February Session, 2008

Substitute Senate Bill No. 591

Senate, March 31, 2008

The Committee on Energy and Technology reported through SEN. FONFARA, J. of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT PROVIDING LOW-INTEREST LOANS FOR ENERGY EFFICIENT HOME IMPROVEMENTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 16a-40a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 The commissioner shall establish an "Energy Conservation Loan
4 Fund". Such fund shall be used for the purposes of making and
5 guaranteeing loans or deferred loans authorized under section 16a-40b
6 of the 2008 supplement to the general statutes, as amended by this act,
7 and may be used for expenses incurred by the commissioner or the
8 Connecticut Housing Finance Authority, established under chapter
9 134, in the implementation of the program of loans, deferred loans and
10 loan guarantees under said section and in the servicing of loans made
11 before July 1, 1985, under section 16a-40k.

12 Sec. 2. Section 16a-40b of the 2008 supplement to the general statutes

13 is repealed and the following is substituted in lieu thereof (*Effective*
14 *from passage*):

15 (a) The commissioner, acting on behalf of the state, may, with
16 respect to loans for which funds have been authorized by the State
17 Bond Commission prior to July 1, 1992, in his discretion make low-cost
18 loans or deferred loans to residents of this state for the purchase and
19 installation in residential structures of insulation, alternative energy
20 devices, energy conservation materials and replacement furnaces and
21 boilers, approved in accordance with regulations to be adopted by the
22 Secretary of the Office of Policy and Management. In the purchase and
23 installation of insulation in new residential structures, only that
24 insulation which exceeds the requirements of the State Building Code
25 shall be eligible for such loans or deferred loans. The commissioner
26 may also make low-cost loans or deferred loans to persons in the state
27 residing in dwellings constructed not later than December 31, 1979,
28 and for which the primary source of heating since such date has been
29 electric resistance, for (1) the purchase and installation of a high-
30 efficiency secondary heating system using a source of heat other than
31 electric resistance, (2) the conversion of a primary electric heating
32 system to a high-efficiency system using a source of heat other than
33 electric resistance, or (3) the purchase and installation of a high-
34 efficiency combination heating and cooling system. As used in this
35 subsection, "high-efficiency" means having a seasonal energy efficiency
36 ratio of 11.0 or higher, or a heating season performance factor of 7.2 or
37 higher, as designated by the American Refrigeration Institute in the
38 Directory of Certified Unitary Air Conditioners, Air Source Heat
39 Pumps and Outdoor Unitary Equipment, as from time to time
40 amended, or an equivalent ratio for a fossil fuel system.

41 (b) Any such loan or deferred loan shall be available only for a
42 residential structure containing not more than four dwelling units,
43 shall be not less than four hundred dollars and not more than twenty-
44 five thousand dollars per structure and, with respect to any application
45 received on or after November 29, 1979, shall be made only to an
46 applicant who submits evidence, satisfactory to the commissioner, that

47 the adjusted gross income of the household member or members who
48 contribute to the support of his household was not in excess of one
49 hundred fifty per cent of the median area income by household size. In
50 the case of a deferred loan, the contract shall require that payments on
51 interest are due immediately but that payments on principal may be
52 made at a later time. Repayment of all loans made under this
53 subsection shall be subject to a rate of interest to be determined in
54 accordance with subsection (t) of section 3-20 and such terms and
55 conditions as the commissioner may establish. The State Bond
56 Commission shall establish a range of rates of interest payable on all
57 loans under this subsection and shall apply the range to applicants in
58 accordance with a formula which reflects their income. Such range
59 shall be not less than zero per cent for any applicant in the lowest
60 income class and not more than one per cent above the rate of interest
61 borne by the general obligation bonds of the state last issued prior to
62 the most recent date such range was established for any applicant for
63 whom the adjusted gross income of the household member or
64 members who contribute to the support of his household does not
65 exceed one hundred fifty per cent of the median area income by
66 household size.

67 (c) The commissioner shall establish a program under which [he]
68 the commissioner shall make funds deposited in the Energy
69 Conservation Loan Fund available for low-cost loans or deferred loans
70 under subsection (a) of this section for residential structures containing
71 more than four dwelling units, or for contracts guaranteeing payment
72 of loans or deferred loans provided by private institutions for such
73 structures for the purposes specified under subsection (a) of this
74 section. Any such loan or deferred loan shall be an amount equaling
75 not more than two thousand dollars multiplied by the number of
76 dwelling units in such structure, provided no such loan or deferred
77 loan shall exceed sixty thousand dollars. If the applicant seeks a loan
78 or deferred loan for a structure containing more than thirty dwelling
79 units, [he] such applicant shall include in [his] the application a
80 commitment to make comparable energy improvements of benefit to
81 all dwelling units in the structure in addition to the thirty units which

82 are eligible for the loan or deferred loan. Applications for contracts of
83 guarantee shall be limited to structures containing not more than thirty
84 dwelling units and the amount of the guarantee shall be not more than
85 three thousand dollars for each dwelling unit benefiting from the loan
86 or deferred loan. There shall not be an income eligibility limitation for
87 applicants for such loans, deferred loans or guarantees, but the
88 commissioner shall give preference to applications for loans, deferred
89 loans or guarantees for such structures which are occupied by persons
90 of low or moderate income. Repayment of such loans or deferred loans
91 shall be subject to such rates of interest, terms and conditions as the
92 commissioner shall establish. The state shall have a lien on each
93 property for which a loan, deferred loan or guarantee has been made
94 under this section to ensure compliance with such terms and
95 conditions.

96 (d) With respect to [such] any loans made under this section on or
97 after July 1, 1981, all repayments of principal shall be paid to the State
98 Treasurer for deposit in the Housing Repayment and Revolving Loan
99 Fund. The interest applicable to any such loans made shall be paid to
100 the State Treasurer for deposit in the General Fund. After the close of
101 each fiscal year, commencing with the close of the fiscal year ending
102 June 30, 1992, and prior to the date of the calculation required under
103 subsection [(f)] (g) of this section, the Commissioner of Economic and
104 Community Development shall cause any balance of loan repayments
105 under this section remaining in said fund to be transferred to the
106 Energy Conservation Loan Fund created pursuant to section 16a-40a,
107 as amended by this act.

108 (e) The commissioner shall adopt regulations in accordance with
109 chapter 54, with respect to any loan made pursuant to subsections (a)
110 to (c), inclusive, of this section, (1) concerning qualifications for such
111 loans or deferred loans, requirements and limitations as to adjustments
112 of terms and conditions of repayment and any additional requirements
113 deemed necessary to carry out the provisions of this section and to
114 assure that those tax-exempt bonds and notes used to fund such loans
115 or deferred loans qualify for exemption from federal income taxation,

116 (2) providing for the maximum feasible availability of such loans or
117 deferred loans for dwelling units owned or occupied by persons of low
118 and moderate income, (3) establishing procedures to inform such
119 persons of the availability of such loans or deferred loans and to
120 encourage and assist them to apply for such loans or deferred loans,
121 and (4) providing that (A) the interest payments received from the
122 recipients of loans or deferred loans made on and after July 1, 1982,
123 less the expenses incurred by the commissioner in the implementation
124 of the program of loans, deferred loans and loan guarantees under this
125 section, and (B) the payments received from electric and gas
126 companies under subsection [(f)] (g) of this section shall be applied to
127 reimburse the General Fund for interest on the outstanding bonds and
128 notes used to fund such loans or deferred loans made on or after July
129 1, 1982.

130 (f) (1) As used in this subsection, "energy-efficient improvements"
131 means measures expected to lower homeowner energy consumption,
132 including, but not limited to, high-efficiency replacement windows,
133 furnaces and boilers. The Connecticut Housing Finance Authority, in
134 consultation with the Energy Conservation Management Board, shall
135 establish a program under which it makes funds available from the
136 Energy Conservation Loan Fund to make low-interest loans to
137 residents of this state for the purchase and installation in residential
138 structures of energy-efficient improvements. The authority shall make
139 such loans from funds allocated to the program in accordance with
140 section 3 of this act.

141 (2) The authority may establish priorities for the low-interest loans
142 provided pursuant to subdivision (1) of this subsection, including, but
143 not limited to, types of improvements financed and the ability of
144 owners to repay such loans. The term of such loans shall be based
145 upon the life expectancy of the improvements installed. Repayment of
146 all loans made under this subsection shall be subject to a rate of
147 interest to be determined in accordance with subsection (t) of section 3-
148 20 and such terms and conditions as the authority may establish. The
149 State Bond Commission shall establish a range of rates of interest

150 payable on all loans under this subsection and shall apply the range to
151 applicants in accordance with a formula which reflects their income.

152 (3) Upon any subsequent transfer of title to the residential property
153 that contains any energy-efficient improvement funded by a low-
154 interest loan pursuant to this subsection, the obligation to repay the
155 loan and any interest due on such loan shall be transferred to the
156 subsequent owner of title.

157 (4) The authority shall adopt written procedures in accordance with
158 section 1-121, which shall be in accordance with any regulations
159 adopted by the commissioner pursuant to subsection (e) of this section,
160 for the application and distribution of loans pursuant to this subsection
161 and the conditions for such loans.

162 [(f)] (g) Not later than August first, annually, the commissioner shall
163 calculate the difference between (1) the weighted average of the
164 percentage rates of interest payable on all subsidized loans made (A)
165 after July 1, 1982, from the Energy Conservation Loan Fund, (B) from
166 the Home Heating System Loan Fund established under section 16a-
167 40k, and (C) from the Housing Repayment and Revolving Loan Fund
168 pursuant to this section, and (2) the average of the percentage rates of
169 interest on any bonds and notes issued pursuant to section 3-20, which
170 have been dedicated to the energy conservation loan program and
171 used to fund such loans, and multiply such difference by the
172 outstanding amount of all such loans, or such lesser amount as may be
173 required under Section 103(c) of the Internal Revenue Code of 1986, or
174 any subsequent corresponding internal revenue code of the United
175 States, as from time to time amended. The product of such difference
176 and such applicable amount shall not exceed six per cent of the sum of
177 the outstanding principal amount at the end of each fiscal year of all
178 loans or deferred loans made (A) on or after July 1, 1982, from the
179 Energy Conservation Loan Fund, (B) from the Home Heating System
180 Loan Fund established under section 16a-40k, and (C) from the
181 Housing Repayment and Revolving Loan Fund pursuant to this
182 section, and the balance remaining in the Energy Conservation Loan

183 Fund and the balance of energy conservation loan repayments in the
184 Housing Repayment and Revolving Loan Fund. Not later than
185 September first, annually, the Department of Public Utility Control
186 shall allocate such product among each electric and gas company
187 having at least seventy-five thousand customers, in accordance with a
188 formula taking into account, without limitation, the average number of
189 residential customers of each company. Not later than October first,
190 annually, each such company shall pay its assessed amount to the
191 commissioner. The commissioner shall pay to the State Treasurer for
192 deposit in the General Fund all such payments from electric and gas
193 companies, and shall adopt procedures to assure that such payments
194 are not used for purposes other than those specifically provided in this
195 section. The department shall include each company's payment as an
196 operating expense of the company for the purposes of rate-making
197 under section 16-19.

198 Sec. 3. (*Effective July 1, 2008*) (a) For the purposes described in
199 subsection (f) of section 16a-40b of the 2008 supplement to the general
200 statutes, as amended by this act, the State Bond Commission shall have
201 the power, from time to time, to authorize the issuance of bonds of the
202 state in one or more series and in principal amounts not exceeding in
203 the aggregate twenty million dollars.

204 (b) The proceeds of the sale of said bonds, to the extent of the
205 amount stated in subsection (a) of this section, shall be deposited into
206 the Energy Conservation Loan Fund for use by the Connecticut
207 Housing Finance Authority for the purposes specified in subsection (f)
208 of section 16a-40b of the 2008 supplement to the general statutes, as
209 amended by this act, provided two hundred fifty thousand dollars of
210 said proceeds shall be used for state-wide marketing of the program
211 described in said subsection (f) of said section 16a-40b.

212 (c) All provisions of section 3-20 of the general statutes, or the
213 exercise of any right or power granted thereby, which are not
214 inconsistent with the provisions of this section are hereby adopted and
215 shall apply to all bonds authorized by the State Bond Commission

216 pursuant to this section, and temporary notes in anticipation of the
 217 money to be derived from the sale of any such bonds so authorized
 218 may be issued in accordance with said section 3-20 and from time to
 219 time renewed. Such bonds shall mature at such time or times not
 220 exceeding twenty years from their respective dates as may be provided
 221 in or pursuant to the resolution or resolutions of the State Bond
 222 Commission authorizing such bonds. None of said bonds shall be
 223 authorized except upon a finding by the State Bond Commission that
 224 there has been filed with it a request for such authorization which is
 225 signed by or on behalf of the Secretary of the Office of Policy and
 226 Management and states such terms and conditions as said commission,
 227 in its discretion, may require. Said bonds issued pursuant to this
 228 section shall be general obligations of the state and the full faith and
 229 credit of the state of Connecticut are pledged for the payment of the
 230 principal of and interest on said bonds as the same become due, and
 231 accordingly and as part of the contract of the state with the holders of
 232 said bonds, appropriation of all amounts necessary for punctual
 233 payment of such principal and interest is hereby made, and the State
 234 Treasurer shall pay such principal and interest as the same become
 235 due.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	16a-40a
Sec. 2	<i>from passage</i>	16a-40b
Sec. 3	<i>July 1, 2008</i>	New section

Statement of Legislative Commissioners:

In subsection (e) of section 1, the reference to subsection (f) was removed for accuracy and in section 3 the funding for marketing was moved to subsection (b) for internal consistency and "deposited into the Energy Conservation Loan Fund for use" was inserted for statutory consistency.

ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Department of Economic & Community Development; CHFA	Energy Conservation Loan Fund - Cost	See Below	See Below

Municipal Impact: None

Explanation

The bill will result in a cost to the Energy Conservation Loan Fund (ECLF), administered by the Department of Economic and Community Development (DECD). The bill requires the Connecticut Housing Finance Association (CHFA) to establish a program to make low-interest loans for the purchase and installation of energy-efficient improvements. The bill makes funds available for this purpose from the ECLF.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 591*****AN ACT PROVIDING LOW-INTEREST LOANS FOR ENERGY EFFICIENT HOME IMPROVEMENTS.*****SUMMARY:**

This bill requires the Connecticut Housing Finance Authority (CHFA) to establish a low interest loan program for the purchase and installation of residential energy efficiency improvements. It requires the Bond Commission to (1) set the range of interest rate payable on these loans and (2) apply the range to applicants based on their income. It subjects the CHFA loans to the same repayment provisions that apply to loans made from the existing Energy Conservation Loan Fund, which is administered by the Department of Economic and Community Development (DECD).

The bill authorizes \$20 million in general obligation bonds for the CHFA program, of which \$250,000 must be used to market it. The bill allows the Energy Conservation Loan Fund to be used to pay CHFA's administrative costs. It requires CHFA to adopt written procedures regarding loan application and distribution procedures and loan conditions. These procedures must be in accordance with the regulations governing the DECD program.

EFFECTIVE DATE: Upon passage, except the bond authorization is effective July 1, 2008.

CHFA PROGRAM

The bill requires CHFA, in consultation with the Energy Conservation Management Board, to establish a low interest loan program for the purchase and installation of residential energy efficiency improvements. The loans must be for measures expected to

lower energy consumption, including high-efficiency replacement windows, furnaces, and boilers. The term of the loans must be based on the life expectancy of the installed improvements. When the title to the residential property in which the improvement is installed is transferred, the balance of the loan and any interest due on it must be transferred to the new owner.

CHFA may establish priorities for its loans, including types of improvements financed and the ability of owners to repay such loans.

LOAN REPAYMENTS

By law, the DECD commissioner must annually calculate the difference between the average interest rate (1) for subsidized loans from the Energy Conservation Loan Fund and two related funds and (2) on the bonds that back these funds. He must multiply the difference times the amount of loans outstanding. The product cannot exceed 6% of the amount outstanding on the loans. The Department of Public Utility Control must allocate this product among the state's electric and gas companies, which must recover it from their ratepayers. The amount received from the companies must be deposited in the General Fund.

The bill subjects repayments of the CHFA loans to the same procedures as apply to the existing DECD loans. By law, all repayments of the loan principal must be paid to the treasurer for deposit in the Housing Repayment and Revolving Loan Fund. The interest on the loans must be paid to the treasurer for deposit in the General Fund. After the close of each fiscal year, and before the date of the calculation described above, the DECD commissioner must transfer any balance of loan repayments remaining in that fund to the Energy Conservation Loan Fund.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/11/2008)

